

Message Text

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PAGE 01 MANILA 12626 200543Z

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ACTION TRSE-00

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USADB

FOR NAC AGENCIES

PASS TREASURY FOR ZINMAN

E.O. 11652: ADS, DECLAS: 8/20/76

TAGS: EAID, EFIN

SUBJECT: RENTAL SUBSIDY - PROFESSIONAL STAFF

SUMMARY: ADB MANAGEMENT PROPOSES CONTINUATION OF RENTAL SUBSIDY SCHEME FOR PROFESSIONAL STAFF AS TEMPORARY MEASURE FOR ANOTHER 12-MONTH PERIOD ENDING SEPTEMBER 30, 1977, WITH AMOUNT OF SUBSIDY TO BE INCREASED TO OFFSET, TO SOME EXTENT, RISING RENTAL AND INDIRECT COSTS, PARTICULARLY FOR THOSE STAFF MEMBERS IN LOWER SALARY RANGES. END SUMMARY.

1. ADB DOC. EX/R2-76 ON ABOVE SUBJECT POUCHED NAC AGENCIES AUGUST 19 AND WILL BE CONSIDERED BY BOARD OF DIRECTORS ON SEPTEMBER 9. NAC GUIDANCE IS REQUESTED.

2. IN SEPTEMBER 1975 BOARD OF DIRECTORS APPROVED RENTAL SUBSIDY SCHEME FOR TRIAL PERIOD OF TWELVE MONTHS FROM
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PAGE 02 MANILA 12626 200543Z

OCTOBER 1, 1975. SCHEME PROVIDED SUBSIDY AT RATE OF

50 PERCENT OF AMOUNT BY WHICH RENTAL EXCEED 15 PERCENT, BUT NOT MORE THAN 30 PERCENT OF BASIC SALARY. SUBSIDY WAS TO BE PAID IN RESPECT OF UNFURNISHED ACCOMMODATION OR UNFURNISHED ELEMENT OF FURNISHED ACCOMMODATIONS, WITH ALL RENTAL SUBSIDY PAYMENTS TO BE MADE IN PHILIPPINE PESOS.

3. ON BASIS OF BANK'S EXPERIENCE WITH RENTAL SUBSIDY SCHEME DURING PERIOD OCTOBER 1, 1975 TO JUNE 30, 1976, IT IS BANK MANAGEMENT'S VIEW THAT CONDITIONS WHICH NECESSITATED INTRODUCTION OF SCHEME HAVE DETERIORATED FURTHER; RENTAL COSTS HAVE CONTINUED TO INCREASE, AS HAVE MANY INDIRECT COSTS FOR WHICH PERSONNEL CANNOT BE COMPENSATED, AND THERE ARE NO INDICATIONS SITUATION WILL STABILIZE IN FORESEEABLE FUTURE. AT SAME TIME, THERE IS LITTLE LIKELIHOOD OF BANK BEING ABLE TO DEVELOP ANY MAJOR STAFF HOUSING SCHEMES FOR SOME YEARS.

4. MANAGEMENT CONCLUDES THAT: (A) CONTINUATION OF SCHEME IS NECESSARY FOR ANOTHER 12-MONTH PERIOD ENDING SEPTEMBER 30, 1977; AND (B) AMOUNT OF SUBSIDY SHOULD BE INCREASED TO OFFSET, TO SOME EXTENT, RISING RENTAL AND INDIRECT COSTS, PARTICULARLY FOR THOSE STAFF MEMBERS IN LWOER SALARY RANGES. CONTINUATION OF SCHEME IN INTENDED TO BE TEMPORARY MEASURE AND WOULD BE SUBJECT TO FURTHER REVIEW WITHIN NEXT TWELVE MONTHS.

5. MANAGEMENT PROPOSES THAT: (-) BANK CONTINUE TO PAY SUBSIDY FOR RENTAL IN EXCESS OF 15 PERCENT BUT NOT MORE THAN 30 PERCENT OF BASIC SALARY; AND (B) AMOUNT OF SUBSIDY BE INCREASED TO 65 PERCENT OF AMOUNT BY WHICH ACTUAL RENT EXCEEDS 15 PERCENT OF SALARY, BUT NOT MORE THAN 30 PERCENT, FOR THOSE WITH SALARIES OF \$14,240 AND BELOW; THEREAFTER TO REDUCE PROGRESSIVELY (UNDER FORMULA SPECIFIED IN LOAN DOCUMENT) UNTIL SUBSIDY FALLS TO 55 PERCENT FOR THOSE AT SALARY OF \$38,500 AND ABOVE, FOR OVERALL AVERAGE SUBSIDY OF ABOUT 60 PERCENT.

6. DURING PERIOD OCTOBER 1, 1975 - JUNE 30, 1976, BANK PAID TOTAL OF \$78,700 AS RENTAL SUBSIDY. AMOUNT OF SUBSIDY PAID HAS INCREASED EACH MONTH, WITH AVERAGE INCREASE BEING LIMITED OFFICIAL USE

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PAGE 03 MANILA 12626 200543Z

8.6 PERCENT, BUT RATE OF INCREASE IS DECLINING. INCREASE IS CAUSED BY TWO FACTORS: (A) GREATER NUMBER OF STAFF QUALIFYING TO RECEIVE SUBSIDY (INITIALLY 93 BUT 127 AS OF JUNE 30, 1976); AND (B) HIGHER RENTS BEING PAID. BANK PROJECTS THAT ADDITIONAL \$38,500 WILL BE SPENT FOR PERIOD JULY 1 - SEPTEMBER 30, 1976, MAKING TOTAL OF \$117,200 FOR FIRST FULL YEAR OF OPERATION OF SCHEME. COST FOR LAST THREE MONTHS OF 1976 IS ESTIMATED AT ABOUT \$46,250, MAKING

TOTAL EXPENDITURE FOR 1976 OF \$144,250. THIS REPRESENTS
1.78 PERCENT OF 1976 BUDGET FOR SALARIES OF PROFESSIONAL
STAFF AND BOARD MEMBERS ELIGIBLE TO PARTICIPATE IN SCHEME.
IF RECOMMENDATIONS IN PARA. 5 ABOVE ARE APPROVED, COST FOR
TWELVE- MONTH PERIOD OCTOBER 1, 1976 - SEPTEMBER 30, 1977
IS ESTIMATED AT \$224,700.
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